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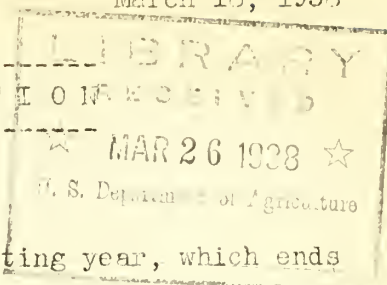
UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

HS-17

March 18, 1938

THE HOG SITUATION

Summary



For the remainder of the current hog marketing year, which ends September 30, supplies of hogs for market will be considerably larger than a year earlier. But the larger marketings will be offset to a considerable extent, the Bureau of Agricultural Economics says, by the smaller storage stocks of pork and lard now on hand. Consumer demand for hog products this spring and summer, however, will be less favorable than in the same period last year.

Seasonal changes in hog prices during the spring and summer of this year are expected to be more nearly normal than they were in the same period last year. Some weakness in hog prices probably will develop during the late spring and early summer as marketings of fall pigs increase. After midsummer, prices may advance somewhat with the seasonal reduction in market supplies. This rise in prices, however, may be limited by the continued weak consumer demand for meats.

In view of the high hog-corn price ratio in the past 6 months and the present low level of hog production in many areas, it is expected that the 1938 spring pig crop will be larger than that of 1937. This will mean larger marketings of hogs in the first half (October through March) of the 1938-39 marketing year than in the same period of the current season.

Hog prices rose almost steadily from late January to mid-March, chiefly as a result of the decrease in marketings during the period. The average price of hogs at Chicago for the week ended March 12 was \$9.39, the highest weekly average at that market since late October.

REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- From mid-August through November 1937 hog prices declined from about \$13 to \$8, one of the greatest declines on record for the period. This drop in prices reflected: (1) The much larger-than-usual seasonal increase of slaughter supplies of hogs in the fall and early winter; (2) the weakening in consumer demand for meats and lard since late summer; (3) the weak storage demand for hog products, which in turn reflected partly the prospects for larger slaughter supplies of hogs in the spring and summer of this year than a year earlier; and (4) the much larger supplies of cottonseed oil available from the record cotton crop of 1937. Hog prices in December and early January continued near the level reached in late November, as hog marketings increased further.

Hog prices advance in February

Prices of hogs rose almost steadily from late January to mid-March as slaughter supplies were reduced. The average price of hogs at Chicago for the week ended March 12 was \$9.39, the highest weekly average at that market since late October. The advance in prices during the past month has been somewhat greater for heavy hogs than for light hogs. And the present spread between prices of light and heavy hogs is not much wider than usual, whereas in December and January it was considerably greater than average.

Prices per 100 pounds of hogs at Chicago, by weight groups, specified periods

Year and month	: Light : weight, 180- : 200 lb.	: Medium : weight, 220- : 250 lb.	: Heavy : weight, 290- : 350 lb.	: Average price of : packer and shipper : purchases
	: <u>Dollars</u>	: <u>Dollars</u>	: <u>Dollars</u>	: <u>Dollars</u>
1937-	:	:	:	:
Feb.	10.18	10.24	10.14	10.08
Dec.	8.26	8.07	7.59	7.90
1938-	:	:	:	:
Jan.	8.52	8.09	7.34	7.91
Feb.	8.82	8.54	7.98	8.33
Week ended-	:	:	:	:
Mar. 12	9.62	9.66	9.32	9.39

Hog slaughter reduced in February

Inspected hog slaughter in February totaled 2,333,000 head, which was 33 percent less than in January and slightly less than in February last year. When allowance is made for the fewer number of market days in February, slaughter in that month was 27 percent smaller than in January. It now appears that the bulk of the 1937 spring pigs have been marketed, and reports indicate that receipts in recent weeks have included an increasing number of fall pigs.

Average weights continue heavy

Average weights of hogs marketed continued heavy during February; the average weights at the seven leading markets for the month was about 240 pounds compared with about 225 pounds a year earlier. In January the average weight of all hogs slaughtered under Federal inspection was the second heaviest for the month in the 16 years of record. The relatively heavy weights of hogs marketed this season reflects not only the large feed supplies and the high hog-corn price ratio but also the mild winter weather in most important feeding areas which has made possible rather rapid gains.

Corn prices were fairly steady during February. The average price of No. 3 Yellow corn at Chicago for the month was about 57 cents per bushel which was slightly lower than in January and only about half as high as a year earlier. Based on Chicago prices, the hog-corn price ratio in February was about 14.6 compared with about 9 in February 1937. The ratio has been considerably above the long-time average of 11.4 since last September.

Fresh pork prices advance in February

Prices of fresh pork rose sharply during February but prices of cured pork were steady to slightly lower. Lard prices changed very little, advancing slightly late in the month. The composite wholesale price of hog products at New York in February was \$18.41 per 100 pounds; although slightly higher than in January, the composite price was about \$2.15 lower than the average of February last year.

Storage stocks increase in February

Storage stocks of pork and lard on March 1 were larger than a month earlier but they were much smaller than stocks on hand on March 1 last year. Total pork stocks on March 1, amounting to 582 million pounds, were nearly 200 million pounds smaller than a year earlier. The increase in pork stocks from the beginning of the storage season November 1, 1937, to March 1, 1938, amounted to about 316 million pounds, or about 100 million pounds less than the increase during the same period a year earlier. The smaller storage accumulation this year than last reflects partly the smaller slaughter supplies of hogs from October through February than in the same period of 1936-37 and also the weaker storage demand. Total stocks of lard on March 1 -

117 million pounds - were larger than a month earlier but about 85 million pounds smaller than on March 1, 1937.

Storage holdings of pork and lard on the first of the month,
October-March, average 1929-33, annual 1936-37 and 1937-38

Month	: 5-year average :		: 1936-37 :		: 1937-38 :	
	: 1929-30 to 1933-34 :					
	: Pork :	: Lard :	: Pork :	: Lard :	: Pork :	: Lard :
	: Mil.lb. :	: Mil.lb. :	: Mil.lb. :	: Mil.lb. :	: Mil.lb. :	: Mil.lb. :
Oct.	530	109	362	102	283	73
Nov.	431	69	355	95	266	39
Dec.	446	56	463	109	307	34
Jan.	565	72	667	146	399	54
Feb.	679	91	739	183	554	99
Mar.	759	103	776	202	<u>1/</u> 532	<u>1/</u> 117

1/ Preliminary

Pork and lard exports in January larger than a year earlier

Exports of pork and lard in January were somewhat smaller than in December, but they were much larger than in January of last year. Lard exports in January, totaling slightly more than 20 million pounds, were more than double those of January 1937. Nearly 12 million pounds of the January lard exports were consigned to Great Britain and about 6 million pounds were shipped to Cuba. Pork exports in January amounted to about 6.3 million pounds compared with 3.5 million pounds in January last year.

Pork imports reduced in recent months

Imports of pork into the United States in January totaled only about 3.3 million pounds compared with 5.3 million pounds a year earlier. Since October, imports of pork have declined considerably while pork exports have increased. In the past 3 or 4 months pork exports have exceeded imports while in most of the first 3 months of 1937 imports of pork were larger than exports. The decrease in imports and the increase in exports in the past few months probably has been brought about by greater declines in prices of hogs and hog products in this country than in foreign countries. An important factor contributing to the drop in prices in the United States, of course, has been the large increase in supplies of hogs since last August.

OUTLOOK

BACAGROUND.- In the February issue of this report the following conclusions with respect to the outlook for supplies and prices of hogs for the remainder of the 1937-38 marketing year were stated: (1) Slaughter supplies of hogs during the remainder of the marketing year ending September 30, will be considerably larger than those of a year earlier. Most of this increase in marketings probably will occur during the period from May through September; (2) Hog prices are expected to decline during the late spring and early summer as hog marketings increase seasonally; (3) The average price of hogs for the summer season (May through September) probably will be considerably lower than the average of about \$11.15 last summer.

Larger hog numbers to be reflected in increased marketings

The number of hogs on farms in the United States on January 1 was estimated to be about 44.4 million head, or about 1.5 million head larger than a year earlier. Nearly all of the increase was in the Corn Belt States. Ordinarily the change in the number of hogs on farms is a fairly good indication of the change in the hog marketings from year to year for the period January through September. The number on farms on January 1, this year, therefore, indicates that marketings from January through September 1938 will be materially larger than a year earlier.

Number of hogs on farms, by geographic divisions, January 1,
1932-38

Year	North Central States			Other States	United States
	East	West	Total		
	Thousands	Thousands	Thousands	Thousands	Thousands
1932.....	12,559	29,792	42,351	16,950	59,301
1933.....	14,716	28,695	43,411	18,716	62,127
1934.....	14,239	26,773	41,067	17,554	58,621
1935.....	9,921	14,616	24,537	14,467	39,004
1936.....	11,069	16,983	28,052	14,735	42,837
1937.....	11,969	14,674	26,643	16,305	42,948
1938 1/	12,137	15,379	28,016	16,402	44,418

1/ Preliminary.

Another factor indicating larger marketings during the spring and summer than a year earlier is the prospect for a more normal market movement of fall pigs than last year. The 1937 fall pig crop was slightly smaller than that of 1936. A fairly large number of 1936 fall pigs, however, were held for finishing on new crop grains and marketed after September 1937. But this year it is expected that the bulk of the 1937 fall pigs will be marketed in the late spring and summer. It is probable, therefore, that inspected hog slaughter during the remainder of the marketing year (March through September) will exceed that of a year earlier by about 2 million head. Most of this increase probably will occur after April. Such an increase in marketings as now seems probable, would result in a total inspected slaughter for 1937-38 of about 34 million head, or about the same as that of 1936-37.

It should be noted, however, that indications with respect to hog slaughter for the remainder of the current hog marketing year are somewhat conflicting. In most years when the hog-corn price ratio has been above average during the fall and winter, as has been the case this year, hogs have been fed longer periods to heavy weights. This has resulted in the October-December proportion of the total slaughter for the marketing year being relatively small, usually varying from 24 to 27 percent of the total. In the October-December period of the present marketing year inspected hog slaughter was nearly 10 million head. If inspected slaughter in that period this year should represent a relatively small proportion of the total for the year - about 27 or 28 percent for example - the yearly total would be between 36 and 37 million head, instead of the 34 million head indicated in the preceding paragraph. But in view of the total pig crop in 1937, the slaughter in January and February, and the estimated number of hogs on farms on January 1, 1938, it does not seem probable that inspected slaughter for the entire year 1937-38 will be larger than 34 million head. One reason for the probability that slaughter in the October-December period of 1937 will not represent a relatively small proportion of the total for the entire year 1937-38 is the fact that slaughter supplies in that period included a much larger than usual proportion of hogs from the pig crop of the preceding year.

Seasonal increase in hog marketings expected in the late spring

In the past month hog marketings have been reduced somewhat, and it appears that the bulk of the 1937 spring pigs have been marketed. A considerable increase in marketings from present levels probably will occur within the next 3 months as the movement of fall pigs gets under way in large volume. After midsummer, however, it is expected that there will be some seasonal reduction in market supplies of hogs, but supplies in the late summer will be larger than the small marketings a year earlier. Marketings during the summer, of course, will be affected to some extent by the prospects for feed crop production this year. Favorable feed crop prospects probably would cause a large number of sows to be retained for the fall farrow, thereby reducing summer marketings. On the other hand, unfavorable prospects and drought conditions would result in considerable liquidation of both sows and pigs.

Larger 1938 spring pig crop expected

In view of high hog-corn price ratio during the past 6 months and the present low level of hog production in many areas, it is expected that the 1938 spring pig crop will be larger than that of 1937. The increase in the number of sows to farrow this spring over a year earlier, probably will be at least as large as the indication of 5 percent given in the December 1937 pig crop report. The larger farrowings this spring will mean that marketings of hogs in the first half (October - March) of the 1938-39 marketing year will be larger than in the first half of 1937-38.

Weakness in hog prices expected in late spring

Changes in hog prices during the spring and summer of this year probably will be more nearly normal than they were in the same period last year, when prices rose almost steadily from mid-May to mid-August. Inasmuch as a seasonal increase in marketings within the next 3 months is probable, it is expected that hog prices will decline during the late spring and early summer. Some recovery in prices may occur after midsummer, as supplies are reduced seasonally in the late summer. Any rise at that time, however, may be limited by continued weak consumer demand for meats which is in prospect. Unless there is a considerable improvement in business activity and in consumer demand within the next 6 months, which does not seem likely, the rise in prices in the late summer will be much less than the marked advance which occurred in July and August last summer. It is possible that the peak in hog prices reached this spring also will be the peak for the entire year 1938.

As compared with a year earlier, the hog situation during the remainder of the present marketing year, up to September 30, 1938, will be influenced by: (1) A weaker consumer demand for meats; (2) larger hog marketings, and (3) smaller storage supplies. The smaller storage stocks of pork and lard now on hand will offset in considerable part the larger hog marketings expected for the remainder of the year. The decrease in storage holdings on March 1 from those of a year earlier is equivalent to the products obtainable from about 1.7 million hogs of average market weight. It does not now seem probable that the increase in marketings for the remainder of the year will be greatly in excess of this figure.

Prices of hogs and hog products, specified periods

Item	Unit	Oct.-Sept.								Oct.-Feb.	
		Feb.	Jan.	Feb.	Average:						
		1937	1938	1938	1928-29:	1935-	1936-	1936-	1937-		
					to	36	37	37	38		
					1932-33:						
Average price:	Dol. per										
Seven markets	100 lb.	9.83	7.81	8.16	<u>1/</u>	9.64	10.28	9.62	8.39		
Chicago	do.	10.08	7.91	8.33	6.99	9.90	10.49	9.86	8.68		
U. S. average price rec'd:											
by farmers	do.	9.19	7.59	7.74	6.48	9.15	9.66	9.12	8.18		
Prices of hog products,											
Chicago:											
Loins, 8-10 lb.	do.	18.81	15.45	16.95	17.07	21.21	22.29	18.39	17.77		
Hams, smoked, reg. No. 1,											
10-12 lb.	do.	25.46	23.56	23.38	20.31	26.58	24.65	23.41	23.74		
Bacon, smoked, No. 1,											
dry cured, 6-8 lb. ...	do.	27.59	27.69	27.38	23.71	30.86	28.58	27.36	28.34		
Lard, refined, H.W. tubs.	do.	13.30	10.06	10.06	9.68	12.65	13.13	13.20	10.66		
Average price of No. 3	Cts.										
Yellow corn, Chicago ...	per lb.	111	59	57	62	74	115	108	58		
Hog-corn price ratio: <u>2/</u>											
Chicago	Bu.	9.1	13.3	14.6	11.6	14.1	9.2	9.1	14.7		
North Central States ...	do.	9.0	15.8	16.8	12.9	15.8	9.5	9.3	17.5		
Proportion of packing											
sows in total packer											
and shipper purchases,											
seven markets <u>3/</u>	Pct.	4.0	3.0	3.0	<u>1/</u>	16.0	15.0	6.0	7.0		
Average weight at seven											
markets	Lb.	223	240	239	<u>1/</u>	241	231	215	235		

1/ Not available.2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.3/ Monthly figures computed from weekly averages.

Supplies of hogs and hog products, specified periods

Item	Unit	Oct.-Sept.					Oct.-Jan.		
		Average:							
		Jan.	Dec.	Jan.	1928-29	1935-	1936-	1936-	1937-
		1937	1937	1938	to	36	37	37	38
					1932-33				
Hog slaughter under Federal inspection:	Thou-								
Number slaughtered <u>1/</u>	and	3,519	3,958	4,201	46,363	31,022	34,142	15,984	14,165
Live weight:									
Average	Pound	217	229	234	231	232	221	214	229
Total	Mil.lb.	765	906	933	10,723	7,191	7,538	3,422	3,240
Dressed weight:									
Average	Pound	162	172	177	175	175	164	159	171
Total	Mil.lb.	570	681	742	8,069	5,402	5,586	2,537	2,424
Yield of lard per 100 pounds live weight of hogs ..	Pound	11.9	12.4	12.9	15.2	12.1	10.9	11.5	11.6
Production of lard	Mil.lb.	90	112	127	1,630	870	833	392	383
Apparent consumption:									
Pork, incl. lard <u>2/</u>	do.	455	545	521	7,171	5,124	5,601	2,041	2,042
Lard	do.	45	70	62	961	712	756	273	278
Exports: <u>3/</u>									
Pork	do.	4	7	6	211	69	59	19	26
Lard	do.	9	22	20	657	101	107	39	80
Imports of pork <u>3/</u>	do.	6	5	4	6	32	72	19	20
Proportion of sows in inspected slaughter <u>4/</u>	Percent	48.0	44.8	45.4	51.2	52.0	51.1	49.4	47.5

1/ Bureau of Animal Industry.

2/ Represents apparent disappearance of federally inspected pork plus unrendered hog fats.

3/ United States Department of Commerce. Pork includes bacon, hams, and shoulders, and fresh canned and pickled pork. Lard includes neutral lard.

4/ Includes gilts.

HOGS: PRICE AT CHICAGO AND FEDERALLY INSPECTED SLAUGHTER, 1935 TO DATE

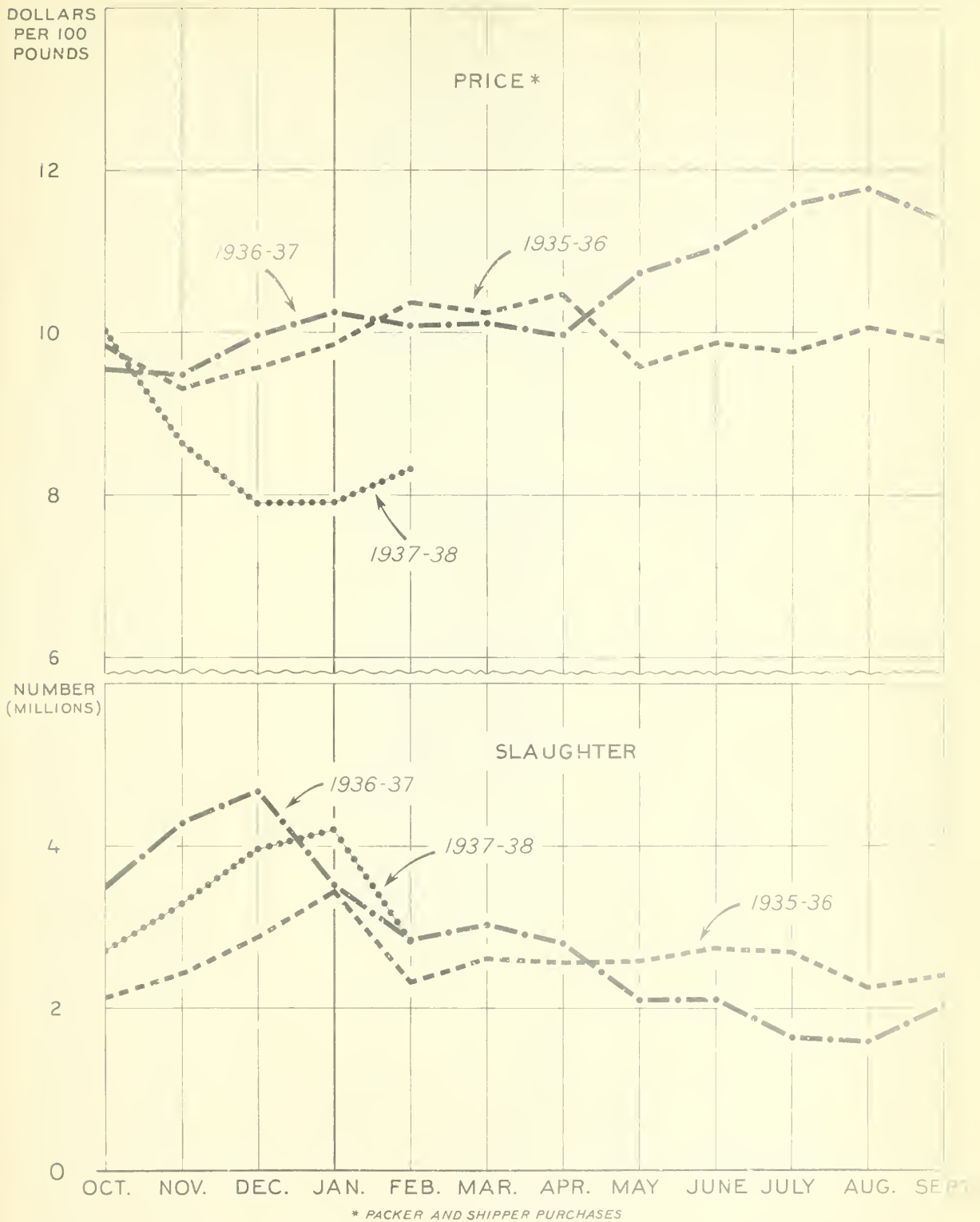
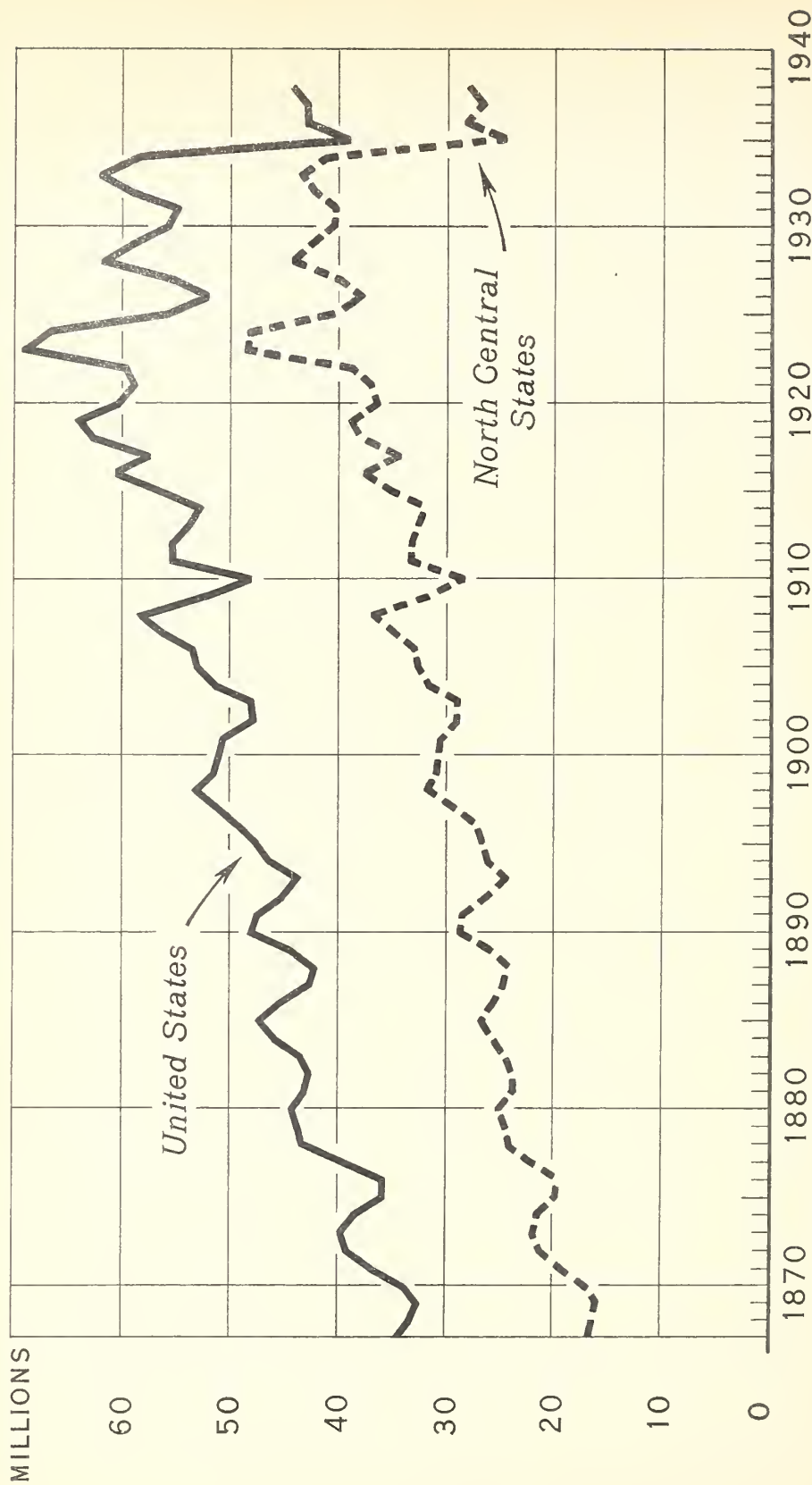


FIGURE 1

HOGS: NUMBER ON FARMS JANUARY 1, UNITED STATES, 1867-1938



DATA FOR 1938 ARE PRELIMINARY

FIGURE 2